

Remarks of
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Chairman
Subcommittee on Health and the Environment
before
the American Chiropractic Association
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I am pleased to be invited to join you today.

Your conference comes at an excellent time for a review of health legislation. As you know, we just enacted a tax bill that included \$14 billion in Medicare and Medicaid cuts required in the Budget Resolution that the Administration sponsored in June. Today, we can examine the activities of the past year, and look toward those issues that can be expected to continue to dominate the agenda in the coming year --

Administration proposals for more budget cuts,
the so-called "New Federalism,"
more budget cuts,
the pro-competition bills, and
more budget cuts.

Before beginning that review, I want to highlight two critical factors that have been driving the development of health legislation, and indeed all domestic policies, during this Congress.

- o First, the Reagan Administration's commitment to slash spending in health and social programs; and

- o Second, the Congressional Budget Process.

The Reagan Administration assumed office more than 19 months ago. Their basic objective in health programs is simple and harsh -- they want to cut spending and benefits. That should come as no surprise because the President has advocated dramatic program cutbacks for many years. However, I highlight it because the rhetoric flows quite freely and tends to obscure this underlying theme. You hear a great deal about competition, a social safety net, deficits, and the new federalism.

But the unfortunate reality is a series of deep program cuts -- \$14 billion in Medicare and Medicaid cuts in the tax bill, and billions more to be proposed by the President next year. If you want to understand what is going on in health legislation, whether it be competition, New Federalism, or the Budget itself, you have to keep that basic objective in mind -- the Administration wants to cut these programs, and is generating enormous pressure on the congress to do so.

The second important factor is the Congressional Budget process. This has become the principal vehicle for getting legislation through the Congress, so you need to understand it in order to understand and participate fully in the development of health legislation. Let me briefly walk you through the basic steps in this process:

- o In January or February, the President submits the Administration's budget proposals to the Congress;

- o In March, the Authorizing Committees with jurisdiction over programs submit budgetary recommendations to the Budget Committee. For example, my Subcommittee makes recommendations for public health programs, Medicaid and Medicare Part B.

- o The Budget Committee then reviews all of these recommendations, and in April reports their recommendations for the First Concurrent Resolution on the Budget. This Resolution sets overall revenue, spending and deficit targets, and provides spending levels for specific functional areas such as health.

- o The Congress then debates this and alternative resolutions. As more people become aware of the importance of this resolution, more and more attention focuses on this step in the process. For example, this year there were a total of 7 resolutions with as many as 68 amendments to each in our first budget debate. Following that, in June, an Administration-backed Budget Resolution did finally pass.

o The Budget process originally envisioned that this First Resolution would simply set goals and targets for the Authorizing Committees, and would be subject to revisions in a Second Resolution in September. However, the Administration succeeded last year and this year in making the first resolution binding -- requiring that cuts be made. Thus, this resolution has become the critical issue driving the legislative process for the rest of the year.

The Administration's success in making this First Resolution binding has dramatically skewed our decision-making. The resolution is debated in multi-billion dollar terms that few can even comprehend. There is little or no understanding of the impact on particular people and programs. However, once passed, it has the effect of forcing cuts in those programs in order to meet these abstract totals.

The process has the appearance of rigor because budgetary spending and savings all seem to be quantified. But only Federal spending is counted -- encouraging shifts of spending to states, providers, or recipients. In addition, only some kinds of issues are quantified. The fact that we spend a dollar under a Federal program is rigorously counted. But cuts in the availability of care are somehow not considered important.

The result is that we develop targets that few understand, and then must make harmful program cuts to meet those targets. I urge you to follow this process closely next year and make your views known to the Budget Committees and the Congress before those resolutions are developed.

Let me turn now to some of the specific issues that we have been dealing with.

First, as I mentioned earlier, we have just enacted in the tax bill substantial Medicare and Medicaid cuts.

- o The president originally proposed FY 1983 cuts of \$4.6 billion in his budget proposal.

- o While many of us opposed these harsh cuts, the Budget Resolution finally adopted required cuts of almost \$3.8 billion.

- o The final legislation just passed cut the programs by \$3.1 billion.

In developing that package, we did everything we could to minimize Medicare cuts that would shift costs directly to beneficiaries, and to limit the cuts in the Medicaid program.

As you know, Medicaid was cut substantially last year, and the fiscal pressure on States has forced program cuts in many areas. Chiropractic services are, as you know, already extremely limited in most States. Preliminary data for the past 18 months indicate that six States have reduced the chiropractic benefit and that 8 States have imposed or increased copayments for chiropractic services.

The President's Budget originally included some \$2.2 billion in additional Medicaid cuts. This included the "three-percent solution" of cutting matching rates 3 percentage points for so-called optional eligibles and benefits, such as chiropractic services, and other pure matching reductions to the States. I am pleased to report that we succeeded in defeating that short-sighted policy, but I caution you to follow the President's new budget proposals, which will undoubtedly propose similar cuts once again.

The final areas I want to discuss are the so-called "new federalism" and "pro-competition" initiatives. These are areas which have been accompanied by the greatest amount of rhetoric. However, you need to test that rhetoric against the reality of program cuts that I mentioned at the beginning of my talk -- the Reagan Administration's underlying objective is to cut program spending.

The New Federalism was dramatically announced in the State of the Union address, but the budget itself reflected only deep cuts. I for one have always advocated a stronger Federal role in Medicaid, but two huge problems remain with this proposal:

- o First, we simply cannot abrogate our responsibilities for income maintenance programs, and grant programs like maternal and child health, as part of this initiative, despite our desire to federalize Medicaid.

o Second, despite the positive rhetoric, the President's apparent definition of federalizing Medicaid is quite different from what you, I, or the States could accept.

In their most recent proposal, they have apparently defined federalized Medicaid as

- excluding the so-called optional services, such as chiropractic care;
- excluding long-term care, which would be financed with a block grant; and
- excluding the medically needy.

It is a sham to call that a federalized Medicaid program, and most of those involved in reviewing the proposals seem to agree. The Governors have rejected the proposals, and even the President's allies in the Senate have been harshly critical. Again, however, I urge you to continue to follow this issue, because they will undoubtedly continue efforts to cut back on these programs through initiatives like this one.

Finally, I want to mention the so-called "pro-competition" initiative. This has been promised as the great solution for 1-1/2 years now -- but the Administration still has not even sent us draft legislation. I will tell you that I have always favored introducing more Competitive pressures into the health system, but once again we have a problem of definition. The President seems to define "competition" as a cut in coverage under public and private insurance programs. I reject that definition. Such policies are inappropriate in the area of health care, where coverage is still far too limited.

I would like to thank you once again for inviting me, and I look forward to working with you in the future. I will be happy to answer any questions you may have.